



Assembly Bill ABX3 17 / Prop 1D, Budget Act of 2008

Assembly Bill ABX3 17, Budget Act of 2008 will go before the voters as a ballot initiative in a special election on May 19. The ballot measure is: Proposition 1D, California Children and Families Act : Use of Funds: Services for Children. (Prop 10)

Title and Summary for Ballot Measure Proposition 1D:

"CHILDREN'S SERVICES FUNDING. Temporarily provides greater flexibility in funding to preserve health and human services for young children while helping balance the state budget in a difficult economy."

"PROTECTS CHILDREN'S SERVICES FUNDING. HELPS BALANCE STATE BUDGET.

Provides more than \$600 million to protect children's programs in difficult economic times. Redirects existing tobacco tax money to protect health and human services for children, including services for at-risk families, services for children with disabilities, and services for foster children. Temporarily allows the redirection of existing money to fund health and human service programs for children 5 years old and under. Ensures counties retain funding for local priorities. Helps balance state budget."

Ballot Label:

Fiscal Impact: State General Fund savings of up to \$608 million in 2009-10 and \$268 million annually from 2010-11 through 2013-14. Corresponding reductions in funding for early childhood development programs provided by the California Children and Families Program (Prop 10).

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- State General Fund savings of up to \$608 million in 2009-10 and \$268 million annually from 2010-11 through 2013-14, from temporarily redirecting a portion of funds from the California Children and Families Program in place of state General Fund support of health and human services programs for children up to age five.
- Corresponding reductions in funding for early childhood development programs provided by the California Children and Families Program (Prop 10).

Other State Health and Human Services Programs for Children:

The state currently administers a variety of health and human services programs that serve children, many of whom are age five or younger. Examples of these state-supported health and human services programs include foster care, health coverage services like Medi-Cal and Healthy Families, state preschool, and child care. These programs currently are largely operated separately of the First 5 programs and are supported by the state General Fund.



Proposal:

This measure redirects a significant portion of Proposition 10 funds for 5 years to achieve budgetary savings and makes permanent changes to state and local commission operations, as discussed below.

Temporary Redirections of Funding to State Programs for Children

This measure amends the California Children and Families Act to allow Proposition 10 revenues to be used to fund other state health and human services programs for children up to age five, for a period of 5 years. Access to this fund is in the budget process and is controlled by the Legislature. In effect, these Proposition 10 revenues would be used to offset existing state General Fund costs, thereby achieving savings to help address the state's current budgetary problem. The measure achieves these state General Fund savings in two ways:

- By redirecting up to \$340 million of available unspent reserves held by the state commission as of July 1, 2009.
- By temporarily redirecting a portion of future Proposition 10 revenues. Specifically, from 2009-10 through 2013-14, this measure would divert annually \$268 million in Proposition 10 funds. Of the redirected funds, \$54 million would come from state commission funds and \$214 million from local commission funds. During these five years, the redirected funds would be subject to appropriation by the Legislature.

Permanent Changes (this measure makes various other changes):

- **New Requirements for Distribution of Audits and Reports.** The measure requires that the county commissions also submit their annual audits and reports of their expenditures to the county board of supervisors and the county auditor. In addition, it requires that each county auditor serve on the local First 5 commission.
- **Changes in Allocation of State Commission Funds.** This measure also amends the allocation requirements for the state commission's 20 percent of Proposition 10 revenues. Specifically, it deletes the allocation now provided for mass media communications (now 6 percent) and increases the allocation for general program purposes (from 2 percent to 8 percent). Under the measure, the state commission must also ensure that every county commission receives at least \$400,000 each year.
- **County Borrowing of First 5 Funds.** Finally, it allows a county controller to borrow local commission funds for that county's general fund, unless the transfer would interfere with local commission activities. Any borrowed funds must be repaid with interest.

Fiscal Effects:

The measure would have the following fiscal effects on state and local governments.

Reduction in Funding Available for Existing State and Local Commission Programs. This measure would reduce state commission funding by up to \$340 million on a one-time basis in 2009-10 by redirecting the state commission's reserve funds. In addition, this measure would reduce funding for the state and local commissions by \$268 million annually from 2009-10 through 2013-14.

State General Fund Savings. This measure would achieve state savings of up to \$608 million in 2009-10 and \$268 million annually from 2010-11 through 2013-14. This results from using a portion of



Proposition 10 funds in place of state General Fund for state-supported health and human services programs for children up to age five. Allocation of this funding is controlled by the legislature in the budgeting process.

Other Potential Fiscal Effects. The reduction in state and local First 5 commission funding could result in other costs to the state and local agencies (primarily counties and schools). This would occur to the extent that some children and families rely on other health and human services programs instead of those now provided under First 5. However, absent this measure, other budget reductions or revenue increases would be needed to address the state's severe fiscal problems. The fiscal effects of these alternative budget-balancing solutions on state and local programs and state revenues are unknown.

Potential Impact to First 5 Santa Barbara County:

1. Currently First 5 Santa Barbara County receives an allocation from Proposition 10 tobacco tax of approximately **\$5,010,000**. Through additional funding from public and private partnerships First 5 has an overall budget of \$7,759,225. Of those dollars, \$790,000 is brought down through State First 5 for targeted initiatives.
2. It is estimated that First 5 counties will receive approximately a 10% decrease in funding through the impact of the new federal tobacco tax instituted in the reauthorization of SCHIP. Additionally, we are experiencing a 3.8% decrease in revenue through ongoing decline in the sale of tobacco products.
3. Through the proposed 50% decrease in revenue through ABX3 17/ Proposition 1D, the additional reduction in funding to the County would be approximately \$2,543,000 and would significantly impact the Commission from its ability to draw down funding through matching grants. Over the five year period the impact to Santa Barbara County would be a loss of approximately **\$12,600,000**.
4. In addition to the funding that First 5 is able to generate internally, the agencies funded by First 5 are able to generate over \$2,211,749 in State, Federal and private dollars directly supporting the key initiatives focusing on young children. Most of those dollars would be lost through the decrease in funding if the allocation is impacted.
5. First 5 have utilized extensive long range fiscal planning to maximize sustainability of programs through decreasing funding.
6. First 5 invest funding in public and non-profit agencies for programs directed to the needs of children age 0-5. Primary programs address the areas of:
 - Early Care and Education
 - Early Child Health
 - Early Mental Health and Other Special Needs
 - Home Visitation of Newborns
 - and Family Strengthening



7. Radical decreases in funding will impact communities who need supportive services the most. Our communities who are being impacted the most by the current fiscal climate are the same communities that are receiving the greatest levels of services through First 5 programs.
8. In addition to these serious programmatic cuts, it is important to recognize that there are many public and non-profit agency staff who will lose employment through the ending of these programs.
9. Many of the highly integrated services that have been developed over the last 10 years of funding would be severely impacted and many would end.
10. At the end of the 5 year reduction of funding, the long-term investment of funding, capacity building and system change in services directed to the needs of young children will have been severely impacted, and much of the work will have to begin again.